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Bad ideas being touted by Washington lately are threatening to squeeze America's middle class to extinction. House Republicans continue to push a Medicare privatization plan that non-partisan analysts have determined would be a ruinous cost shift to patients and families, doubling out-of-pocket expenses.

Another middle class landmine is buried within both the Simpson-Bowles and Domenici-Rivlin debt reduction plans. Both proposals would reclassify employment-based health benefits as taxable income, eliminating a tax exclusion that is vital to working families, particularly men and women in high-risk fields.

Since the end of World War II, employer-sponsored health coverage has been exempt from taxable income. That exclusion has profoundly shaped health coverage in this country with an estimated two out of every three non-elderly Americans being insured through their employer. For Americans of all stripes, health benefits have been a core aspect of compensation for their work. And, despite the histrionics surrounding enactment of health care reform, the Affordable Care Act (ACA) still assumes that employment-based coverage will serve as the workhorse of insurance for decades to come.

Examples of the ACA's deference to employment-based coverage abound. The law established the Early Retiree Reinsurance Program, which has enrolled more than 5,000 employer-sponsored plans into a backstop fund that bolsters employer retiree coverage. The law also grandfathered in existing work-based plans to protect the status quo for millions of

Americans, created the small business health insurance tax credit, and encourages employers to use purchasing exchanges starting in 2014, so that employees can continue to get tax-free health benefits as part of their compensation.

The one significant pressure on employer-sponsored plans included in the law is an excise tax on high-cost plans -- the so-called "Cadillac tax" -- beginning in 2018. The excise tax was the subject of an intense tug of war during the law's debate, and a letter I authored with support of 193 of my colleagues contributed to a decision to both push back its start date and to exclude secondary coverage -- vision and dental -- from the levy. The compromise was reached based on the premise that if the new exchanges succeeded in moderating costs as planned, the tax would have little impact on most health plans. This compromise prevented a new tax burden for the vast majority of middle class families.

Unfortunately, the uneasy truce that allowed ACA to move forward to enactment is now under attack.

The Simpson-Bowles illustrative plan would cap the tax exclusion for employer-sponsored coverage at the 75th percentile in 2014, or about $20,000 for a family plan. It would also freeze this cap until 2018, and phase out the tax exclusion by 2038. By comparison, the Domenici-Rivlin plan would cap tax-free contributions to employer-sponsored coverage in 2018 and phase out the exclusions completely by 2028.

At the heart of these proposals are the misguided notions that tax exclusion leads to excessively-generous benefits and overutilization of care, and that high-premium plans tend to be concentrated among high-income earners. In both instances, research by non-partisan experts refutes the claim.

A study on the proposal published in *Health Affairs* , "Taxing Cadillac Health Plans May Produce Chevy Results," concluded that richness in benefits explains less than four percent of variation in premiums, discrediting the claim about generous policies and overutilization. And, according to a Joint Committee on Taxation report, the tax would impact one out of five households with annual income between $50,000 and $75,000 within six years of implementation.

Health premiums are actually attributed more to factors like region, firm size, workforce age, and riskiness of profession. A study on the "Cadillac tax" proposal conducted by the American Academy of Actuaries in January 2010 concluded that the proposal would disproportionately impact early retirees by a striking margin, not because their plans are more generous, but because they are actuarially more expensive to cover. The report also concluded that small businesses and high-risk professions would also be impacted disproportionately, again, not based on generosity of benefits, but because of longstanding actuarial realities.

Further, a recent survey conducted by Mercer found that an average employer-sponsored plan in the Northeast is approximately 23 percent more costly than in the South, and firms where the average employee age is 45 or older are seven percent more expensive on average for comparable benefits.

Proposals to cap and to rescind tax exclusions for employer-sponsored health coverage would have a disproportionately negative impact on millions of Americans who currently obtain coverage through their employer. As the tax preferences are phased out, employees in the high-cost regions, in high-risk fields, in smaller firms -- all factors beyond personal control and unrelated to overutilization or excessive benefits -- would be disproportionately impacted. And, as more employers drop coverage as a result of these changes, economies of scale inherent in the employer-sponsored system will be lost. Both outcomes would shift costs instead of producing savings.

There is no doubt that our nation faces serious fiscal challenges that deserve long-term solutions. However, proposals that would undermine our current structure of employer-sponsored health-care coverage would fail to alleviate budget issues and may even exacerbate existing challenges.

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